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**FTAA - COMMITTEE OF GOVERNMENT REPRESENTATIVES ON THE PARTICIPATION  
OF CIVIL SOCIETY**

**COVER SHEET**

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ISSUES ADDRESSED (Check all that apply)

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Government Procurement	Smaller Economies	X
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Investment	Other: Breaking the Labor-Trade Deadlock	
Market Access		
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EXECUTIVE SUMMARY – 2 pages maximum – (see Open Invitation):

### **Breaking the Labor-Trade Deadlock**

**By Scott Otteman, Philip Potter, Staci Warden, and Sidney Weintraub**

*Prepared as part of a joint project of  
the Economic Reform Project of the Carnegie Endowment for International Peace  
& the Trade Policy Group of the Inter-American Dialogue.*

#### **Executive Summary**

This paper is an effort to shake loose the current policy logjam, in the FTAA/ALCA process and elsewhere, over incorporating labor issues into trade agreements. It calls for the establishment of a work-study program to determine the desirability and viability of commencing negotiations on a hemispheric agreement aimed at securing adequate coverage and enforcement of internationally recognized labor standards.

The work-study program and any eventual negotiations would be conducted by the FTAA/ALCA nations' labor ministers under the existing authority, with slight modifications, granted to them by leaders in the Miami and Santiago Summit of the Americas Declarations and work plans. This process of analysis and possible negotiation would be carried out in parallel to, rather than as part of, the FTAA/ALCA process. This approach delinks the labor issue from regional trade negotiations, which will enable more rapid progress in both areas.

Before describing the details of this hemispheric process (in Section III), we lay the intellectual groundwork for our proposal by arguing that the trade-sanctions approach currently advocated by industrial countries is neither advisable nor politically feasible (Section I). We then develop a set of principles that should guide any effort to enforce labor standards, either at the global (ILO) or regional (FTAA/ALCA) level, and argue that the ILO, with its recent improved performance and recently gained consensus on internationally recognized labor rights, would be a preferable forum to the WTO for applying those principles in negotiating an enforcement regime, though progress might not be as speedy on a global basis as would be possible in the Western Hemisphere (Section II).

Our case against using trade sanctions to enforce labor standards is three-fold. First, a trade sanctions approach is misdirected. Trade sanctions only penalize companies that trade internationally, while the non-trading sectors of developing-country economies are where the vast majority of workers are employed, where labor standards are lowest, and where enforcement is worst. In addition, sanctions tend to unfairly target export industries even though they have the highest labor standards and the best enforcement. Second, sanctions-oriented enforcement is unfairly one-sided between nations. Sanctions can only be credibly applied by developed countries against developing countries and not vice-versa. Third, a trade-sanctions approach is politically infeasible. Developing-country trading partners (32 of the 34 FTAA/ALCA countries) have steadfastly refused to incorporate labor provisions into trade agreements.

Instead, we argue, an alternative approach must be developed that addresses the legitimate, fundamental concerns of all sides. In this approach, developing nations would have to be satisfied that the process and its result would not be used to penalize their exports for protectionist purposes. Developed countries, in particular their organized labor constituencies, would have to be reassured that an alternative framework could be capable of delivering expanded coverage and better enforcement of internationally recognized core labor standards.

We say an alternative approach should incorporate five fundamental principles: (1) it must favor cooperation, consultation, and consensus over confrontation; (2) enforcement mechanisms must stop short of discriminatory trade sanctions; (3) national compliance with core labor standards should be the main

objective; (4) diversity among nations should be acknowledged and respected; and (5) penalties should be targeted and specific.

In this context, we argue that the ILO is a better forum for discussing trade-labor issues than the WTO. It has stepped up its enforcement efforts recently, and, most importantly, has established a broad international consensus on five internationally recognized core labor standards, which provides an excellent basis for negotiations of a non-trade-sanctions enforcement regime at both the global and regional level.